

Message Text

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ACTION EA-14

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC IMMEDIATE 1606

C O N F I D E N T I A L JAKARTA 4071

EO 11652: GDS

TAGS: EAID,ID

SUBJECT: U.S. AID LEVELS

REFS: A. STATE 47882; B. JAKARTA 3514

1. I ANTICIPATE MEETING WITH FOREIGN MINISTER MALIK PROBABLY APRIL 5 BEFORE HE DEPARTS FOR SPECIAL UNGA. I UNDERSTAND MALIK WISHES TO FOLLOW UP QUESTION OF REDUCTION IN U.S. AID WHICH I DISCUSSED WITH MINISTER WIDJOJO ON MARCH 21 (REPORTED REF B).

2. I PLAN TO MAKE FOLLOWING POINTS AND TO LEAVE MALIK BRIEF SUMMARY PAPER.

A. CONGRESSIONAL SUPPORT FOR ECONOMIC ASSISTANCE HAS BEEN ERODED BY ENERGY CRISIS AND BY IMPACT ON DEVELOPING COUNTRIES OF INCREASED OIL REVENUES. THERE ARE UNEXPECTED FUNDING REQUIREMENTS FOR OTHER DEVELOPING COUNTRIES SUCH AS BANGLADESH AND FOR DROUGHT STRICKEN COUNTRIES OF AFRICA.

B. USG RECOGNIZING INDONESIA'S CONTINUING NEEDS DESIRES TO CONTINUE ITS ECONOMIC ASSISTANCE TO INDONESIA TO FULLEST EXTENT POSSIBLE, TAKING INTO ACCOUNT BOTH OUR OWN DOMESTIC CIRCUMSTANCES AND INDONESIA'S CHANGED
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FINANCIAL PROSPECTS. INEVITABLY THERE WILL BE CHANGES IN AID RELATIONSHIP. U.S. HOPES COOPERATION CAN CONTINUE

THROUGH INCREASED USE LESS CONCESSIONAL CREDITS, ASSISTANCE TO PRIVATE INVESTMENT AND TECHNICAL ASSISTANCE.

C. DESPITE CLEAR PROBLEMS, USG IS PLANNING TO PROVIDE DEVELOPMENT LOANS TO INDONESIA OF \$68 MILLION FOR CURRENT FY. THIS IS IN ADDITION TO \$9.7 MILLION IN PL 480 COTTON.

D. BOTH PL 480 AND DEVELOPMENT LOAN AMOUNTS ARE CONSIDERABLY LOWER THAN EARLIER PLANNING FIGURES AND WILL MEAN SHORTFALL IN IGGI PLEDGE BUT IN VIEW ABOVE CIRCUMSTANCES WE BELIEVE REDUCED LEVELS STILL REPRESENT SUBSTANTIAL U.S. CONTRIBUTION WITHIN IGGI CONTEXT TO INDONESIA'S DEVELOPMENT EFFORT.

E. FURTHER, IN RECOGNITION U.S. INTEREST, CONGRESS IS BEING ASKED TO APPROVE DEVELOPMENT LOANS IN AMOUNT OF \$60 MILLION FOR FY 1975. REQUEST TO CONGRESS FOR PL 480 TITLE I FOR INDONESIA FOR THAT YEAR WILL BE \$116 MILLION WHICH IF APPROVED AT THIS LEVEL WOULD STILL BE SUBJECT TO AVAILABILITY OF COMMODITIES.

F. FUNDING REQUEST TO CONGRESS WILL BE MADE PUBLIC SOON AND WILL REFLECT REDUCED FIGURES FOR FY'S 1974 AND 75.

G. IMPROVED FINANCIAL PROSPECTS NOW MAKE IT POSSIBLE CONSIDER FINANCING ACCELERATED DEVELOPMENT PROGRAM AT LEAST IN PART WITH BORROWING ON SOMEWHAT HARDER TERMS. WE HAVE SUGGESTED THAT U.S. EXIM BANK FACILITIES BE CONSIDERED AS MEANS FOR COMPENSATING FOR REDUCTION IN U.S. AID LEVELS. CONCEIVABLY LONGER TERM EXIM CREDITS COULD BE APPLIED AGAINST IGGI TARGET. WE HAVE SUGGESTED EXIM SEND REPRESENTATIVE FOR DISCUSSION WITH GOI.

H. INDONESIA'S OBJECTIVE OF FINANCING MORE OF ITS DEVELOPMENT DURING REPELITA II FROM ITS OWN RESOURCES COULD BE ACCELERATED UNDER CURRENT CIRCUMSTANCES, THUS ENABLING INDONESIAN GOVERNMENT TO TAKE CREDIT FOR GREATER SELF-RELIANCE IN FUNDING ITS DEVELOPMENT PROGRAM.
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I. RECOGNITION OF CHANGED CIRCUMSTANCES IN IGGI FORUM BY GOI IN RESPONSE TO ITS GREATLY IMPROVED ECONOMIC CONDITIONS WILL MAKE IT EASIER FOR DONORS TO DEFEND KIND OF ASSISTANCE WE BELIEVE WILL CONTINUE TO BE NECESSARY FOR INDONESIA.

J. USG WILL NOT SEEK TO DRAMATIZE SITUATION NOR IMPLY IN ANY WAY THAT NEED BY INDONESIA FOR EXTERNAL ASSISTANCE IS RAPIDLY ENDING. WE CONTINUE ATTACH GREAT

IMPORTANCE TO IGGI MECHANISM AND WISH CONTINUE TO PLAY
ACTIVE ROLE IN IT.

K. REPRESENTATIVES OF USAID MISSION HAVE ALREADY
BEGUN DISCUSSIONS WITH BAPPENAS CONCERNING VARIOUS OPTIONS
FOR PROJECT FINANCING WITH THIS YEAR'S DEVELOPMENT LOAN
FUNDS.

L. RE MILITARY ASSISTANCE, U.S. ALSO DESIRES TO
CONTINUE COOPERATION IN MILITARY ASSISTANCE FIELD, TO
EXTENT RESOURCES ARE AVAILABLE. CURRENT U.S. EFFORTS TO
SUPPORT CAMBODIA COULD AFFECT GRANT ASSISTANCE, BUT WE
HOPE CONSIDERATION MAY BE GIVEN TO FMS TO COVER AT LEAST
PART OF FUTURE NEEDS. WE WILL CONTINUE TO SEEK EQUIP-
MENT WHICH CAN BE SOLD OUT OF DEFENSE STOCKS AT CON-
CESSIONAL RATES.

3. I HAVE JUST RECEIVED NOTICE OF APPOINTMENT WITH
PRESIDENT SUHARTO APRIL 3 AND WILL SPEAK TO HIM ALONG
SIMILAR LINES.
NEWSOM

NOTE BY OC/T: DISTRIBUTION COORDINATED WITH S/S-O. MR. NEWLIN.

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